DOCUMENT RESUME

ED 131 600 EA 008 933

TITLE	The School District Budget . . . Its Preparation & Management. Revised.
INSTITUTION	California School Boards Association, Sacramento.
PUB DATE	Nov 76
NOTE	64p.; Occasional pages may not reproduce clearly due to small print; For a related document, see ED 125 049
AVAILABLE FROM	California School Boards Association, 800 9th Street, Suite 201, Sacramento, California 95814 ($3.00)
EDRS PRICE	MF-$0.83 HC-$3.50 Plus Postage.
DESCRIPTORS	Boards of Education; *Budgeting; *Budgets; Educational Finance; Elementary Secondary Education; Program Budgeting; Records (Forms); School Law; School Systems
IDENTIFIERS	*California

ABSTRACT

This document has been prepared for school board members and other school and community people who do not have an extensive background in business or school finance. It is written in a format that makes it easy to read and easy to reference specific topics. Each topic is covered in a two-page set with a description on one page and a graphic or summary presentation on the facing page. The document is written in laymen's terms but, to ensure complete understanding, a glossary of often-used terms is included in the last chapter. The document is divided into four chapters that cover all aspects of the school district budget. The budget itself is described in terms of history, theory, and structure. The budget development process is then covered, followed by a description of the required legal documentation. Samples of documents are provided. Finally, there is a discussion of budget management, which is necessary for successful fiscal accountability. (Author/IRT)

****
* Documents acquired by ERIC include many informal unpublished *
* materials not available from other sources. ERIC makes every effort *
* to obtain the best copy available. Nevertheless, items of marginal *
* reproducibility are often encountered and this affects the quality *
* of the microfiche and hardcopy reproductions ERIC makes available *
* via the ERIC Document Reproduction Service (EDRS). EDRS is not *
* responsible for the quality of the original document. Reproductions *
* supplied by EDRS are the best that can be made from the original. *
****

ED131600

THE SCHOOL DISTRICT BUDGET . . .
ITS PREPARATION & MANAGEMENT

U S DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

PUBLISHED BY
THE CALIFORNIA SCHOOL BOARDS ASSOCIATION
800 Ninth Street, Suite 201
Sacramento, California 95814

OFFICERS

Mr. Jesse Bethel	President
Mr. Delbert Cederquist	President Elect
Dr. Owen Griffith	Vice President
Mrs. Marian Bergeson	Immediate Past President

EXECUTIVE SECRETARY

Mr. Joseph M. Brooks

EA 008 933

March - 1976
Revised November - 1976

This document was prepared under the direction of:

THE CSBA FINANCE COMMITTEE

Dr. Owen Griffith, Chairman	Torrance Unified School District
Mr. Robert E. Andreen	Grossmont Union High School District
Mr. George Dunn	San Diego County Schools
Mr. Ian W. Hardie	Yosemite Community College District
Mr. John Hardin	Selma Unified School District
Mrs. Betty M. Jones	Lawndale Elementary School District
Mrs. Patricia Larson	Palm Springs Unified School District
Mr. Terry A. McHenry	Oak Grove Elementary School District
Dr. Carl Nelson	Santa Cruz City School District
Dr. Donald Newman	Los Angeles Unified School District
Mr. Richard T. Wilsdon	Carmel Unified School District

STAFF CONSULTANT

Mr. Kenneth F. Cuttle

ACKNOWLEDGEMENTS

The Finance Committee acknowledges with appreciation the major efforts of Committee member TERRY McHENRY and Staff Consultant KEN CUTTLE in the preparation of this document.

TABLE OF CONTENTS

Preface

CHAPTER I

1.0 What Is A Budget 1

1.1 History of Educational Budgets 2
1.2 Program Budgeting 4
1.3 Program Structure 6
1.4 Account Structure 8
1.5 Total Cost Allocatio. 10

CHAPTER II

2.0 The Budget Process 12

2.1 How the Budget is Developed 13
2.2 Revenue Limits 15
2.3 Inflation Factor 17
2.4 Declining Enrollment 19
2.5 Revenue Forecasting 21
2.6 Increasing District Revenue 23

CHAPTER III

3.0 The Budget Documents 25

3.1 Legal Calendar 26
3.2 Annual Financial and Budget Report - (J-41) 28
3.3 Annual Financial and Budget Report - Income 30
3.4 Annual Financial and Budget Report - Expenditures 34
3.5 Annual Financial and Budget Report - Other Outgo and Ending Balance 37
3.6 Annual Financial and Budget Report of Program Expenditures . . 40
3.7 Cost Data Report 42

CHAPTER IV

4.0 Budget Management 44

4.1 Budget Reports 45
4.2 Cash Flow 47
4.3 District Bankruptcy 49

CHAPTER V

5.0 Glossary of Terms 51

5.1 Glossary of Terms 52

PREFACE

This document has been prepared for school board members and others on the staff and in the community who do not have an extensive background in business or school finance. The development, adoption and management of the district budget is one of the most important and far-reaching responsibilities of a district governing board. This is where the board interprets the community's educational needs and provides for the education of children. It is a process that should be taken seriously and with a great deal of understanding.

This document is written in a format that makes it easy to read and easy to reference specific topics. Each topic is covered in a two-page set with a description on one page and a graphic or summary presentation on the facing page. The document is written in layman's terms, but to insure complete understanding, a glossary of often-used terms is included in the last chapter.

The document is divided into four chapters which cover all aspects of the school district budget. The budget itself is described in terms of history, theory, and structure. The budget development process is then covered, followed by a description of the legal documents that are required. Finally, there is a discussion of budget management which is necessary for successful fiscal accountability.

It is suggested that your board set up a workshop with the district administration and the district business office to review this document and how your district specifically handles the budget process. This will also allow you the opportunity to further explore the various concepts presented in very brief form in this document. A possible format for such a workshop would be to cover the budget process presented in this document and then review each concept, concluding with the process that is followed by your district. It would also be beneficial if members of the administrative staff, principals, employee organizations, and the community were also involved.

CHAPTER I

1.0 WHAT IS A BUDGET

The basic educational system in California is based on local autonomy and control over the education provided to the students of the community. There are over 1,100 school districts in the state, each with an elected governing board and hired administration acting independently of the other districts within the legal guidelines established by the state. Each district is then responsible for establishing its own educational programs within the state framework which best meet the needs of their children. The programs should be developed following as assessment of the community's needs and the definition of specific goals and objectives. A critical factor is then the resources available to carry out the needed programs. The specific resources are the staff, materials and basic operations of the district all predicated on the revenue available. The amount and source of revenue and its application to specific resources is documented in a district budget which then allows the district to express its educational philosophy in financial terms.

The educational budget process has changed significantly in the past century in both sophistication and visability. It started as a simple bookkeeping process that has grown to more accurately reflect the community's educational needs. It now provides more visability to both the staff and the public into the magnitude and priority of the district's educational programs. The current budget process is called program budgeting, where resources are allocated directly to programs which are defined for specific purposes rather than general functions. Each district must define its own programs, which then fit into an overall structure covering the area of instruction and all the areas needed to support that instruction.

Once the programs are defined, the funds must be allocated to specific resources. An account structure is used to define the planned costs and revenue that can be properly identified throughout the budget year. The final result of a program budget is the ability to identify the total costs, including the supporting and overhead costs that are needed in order that the programs can function.

1.1 HISTORY OF EDUCATIONAL BUDGETS

Educational budgets have progressed over the last century to provide more visability into the purposes of district expenditures.

The budgets developed in education at the turn of the century were called object budgets. They allocated dollars to very specific items to be paid for or purchased. The major areas would include personnel, services and materials. The total budget would then have specific dollar amounts allocated to principals salaries, teachers salaries, custodians salaries and other specific district positions. The services would cover the areas of gas, electricity, consultants, and other services that were provided by organizations or people outside the district. The materials were again defined specifically in terms of books, pencils, and other items which the district required. As district budgets became larger and increased in complexity, this budget process became cumbersome and didn't define what was actually being done in the district.

The next step was to develop a function budget which allocated dollars to the functions being performed. This was accompanied by further definition as to the specific objects of expenditure within each function. The functional areas would include administration, with further detail on principal salaries and fringe benefits and the services and materials needed to operate the administration function. The major function was instruction, which included the salaries and fringe benefits for teachers, along with the related materials and services. This method provided more detail, but still did not allow for efficient allocation of dollars since there were so many activities in each broad functional area. There was also no visability into what was really happening in those broad functions and did not relate directly to the district educational goals.

Recently, the State Board of Education adopted the *California School Accounting Manual* which requires all districts to develop and adopt a program budget. The strength of this method lies in the manner which programs must be defined and to identify specific purposes for which dollars are allocated. Again, there is more detail in terms of the specific objects of expenditure within each program. This allows a great deal more sophistication in the budget process and provides more visability to both the district staff and the community. The key to the program budget is the program structure which allows definition of programs and allocation of funds in different levels from the general instructional and instructional support level down to the actual academic subject or the district maintenance program. Also included is the grade span and the division of special educational programs and projects. The whole process can now be related to overall district educational goals and allows for the logical allocation of resources.

History of Educational Budgets

OBJECT BUDGET (1900's)

SALARIES
- Principals
- Teachers
- Custodians

SERVICES
- Electricity
- Consultants

MATERIALS & EQIUPMENT
- Textbooks
- Instructional Materials

FUNCTIONAL BUDGET (1940's)

ADMINISTRATION
- Superintendents
- Assistant Superintendents
- Materials

INSTRUCTION
- Teachers Salaries
- Textbooks
- Instructional Materials

OPERATIONS
- Custodians Salaries
- Electricity

PROGRAM BUDGET (1970's)

General Education Programs

SCIENCE
- Teachers Salaries
- Textbooks
- Instructional Materials

Instructional Support Programs

SCHOOL ADMINISTRATION
- Principals Salaries
- Materials

General Support Programs

FACILITY OPERATIONS
- Custodians Salaries
- Electricity

1.2 PROGRAM BUDGETING

A program budget is a list of expenditures that will meet the needs of a particular district program in terms that are meaningful to all the district staff and the community.

The program budget is developed from the process of listing the resources required under appropriate objects for each program. The program structure must first be determined and then each program within the structure defined in specific terms. Each program should have a stated goal and a set of measurable objectives along with a stated method of determining how the objectives are being met.

The first specifics that are put into each program's budget is the pupil and personnel data. This will be the number of pupils being served and the number of full time equivalent staff required including both certificated and classified employees. This identifies the population to be served and the direct personnel resources required.

The direct program costs are detailed by accumulating the actual salaries of the assigned personnel. These can be broken down into specific line item by job titles or summarized by generic titles. The employee fringe benefits are identified separately for accountability purposes and ease of handling district-wide payments. The needed materials and services can be defined by various line item categories in either specific terms or summarized in general terms. The capital outlay or equipment are identified separately as they again have district-wide significance in terms of becoming fixed assets.

The direct support charges are those required to support the program at the school and district level. These again can be at various levels of detail. The total of direct and direct support costs are essentially those that could be eliminated if the program was eliminated.

The direct cost revenue source is detailed to identify the source of income for each specific program. Most programs receive their income from the district general fund for general education. However, there are some special programs and projects which have additional income for specific and restricted purposes. This will then identify the income that would be lost if the program were eliminated.

One of the most significant items on an individual program budget is the per pupil cost. This can include just the direct operational cost or the total cost associated with the program. These figures can be used to make further allocations or reductions based on program priority or program evaluation.

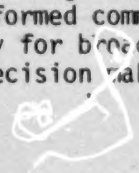
Once each individual program budget is developed, they are combined to create the overall district budget. Various intermediate totals can be identified that will indicate costs by grade span and the breakdown between instructional and instructional support programs.

BASIC ELEMENTS

Definition of district programs
Identification of students to be served by each program
Identification of resources required by each program
Allocation of resources based on priorities

ADVANTAGES

Provides a framework for accountability
Encourages better utilization of resources
Enables effective planning for the future
Allows for a more informed community
Allows an opportunity for broader involvement
Provides an aid to decision making



1.3 PROGRAM STRUCTURE

A program structure is a logical arrangement of programs that graphically illustrates their level and relationship.

The program structure provides an overall view of the interrelationships of district activities and becomes the basic framework for program development and budgeting. Because philosophies and needs vary among districts resulting in varied activities and programs, the program structure must be sufficiently flexible to accommodate those differences. The program structure shown in the example was developed by one county, using input and final approval of all the school districts in that county.

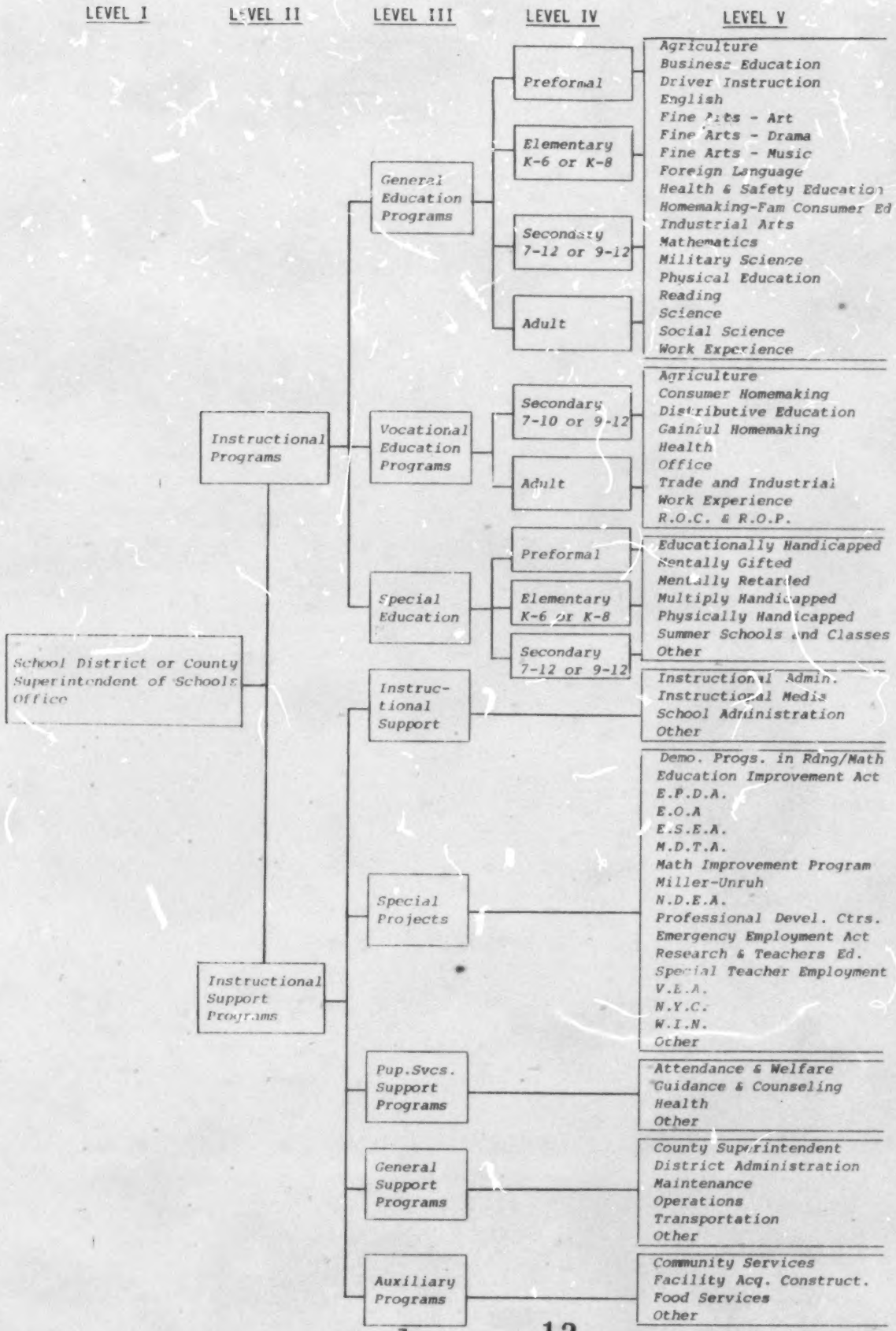
The program structure is a logical arrangement divided into various levels with each one providing a summary of related programs in lower levels. Level I is the district itself or County Superintendent's Office, depending on which type of agency is being considered. Level II divides the activities into the two basic categories of instructional programs and instructional support programs.

Level III provides the major activities. Instructional support includes general education, vocational educational and special education, since these are all distinctive areas and usually separately funded. The level III areas in instructional support provide the major functions, including instructional support, special projects, pupil services, general support, and auxiliary programs. The special projects are normally specially funded with the majority being federal programs. The auxiliary programs are usually handled in separate funds and have restricted funding so must be separated from the other district support programs. Level IV is lifespan and in this case applies to grade level and is normally only used in the instructional areas. The state has stated specific requirements for reporting in preformal, elementary, secondary and adult, so these standard ranges are shown. A district could break the grade spans down to any other level desired, down to each individual grade.

Level V indicates the actual program being operated. In the instructional area, these will be the specific academic subjects or types of programs in the case of vocational and special education. In special projects, the programs will be each individual project while the other support programs usually indicate district level programs. Some districts have added level VI, which actually breaks the level V program into component parts, such as industrial arts, whose level VI programs could be metal shop, wood shop, and auto shop.

The program structure is needed to identify the programs and their relationships. A significant part of the structure is the coding system which allows each program to be identified numerically for accounting purposes. The coding must allow for unique numbers, but must also be able to summarize up easily to provide totals at the higher levels and finally one district total.

Program Structure (Sample)



1.4 ACCOUNT STRUCTURE

An Account Structure should be used which allows any income or expenditure to be allocated to any level that meets the state requirements and district needs.

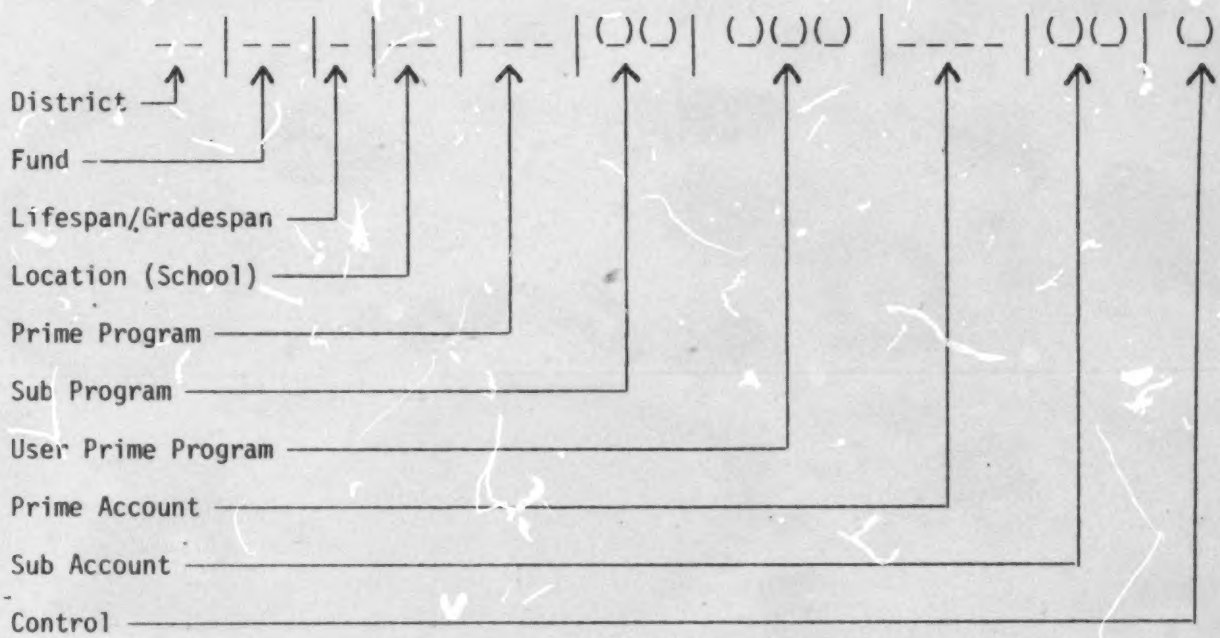
The Account Structure must provide sufficient account detail to meet the state financial reporting requirements and should be flexible enough to meet individual district needs. The more detail and sophistication used provides for more visability into the financial operations of the district and aids in management decisions. The right degree of detail is strictly a function of the size of the district and the ability and resources in the business office.

The Account Structure example is again one that is used in one particular county and developed in conjunction with the local districts.

District	- the two-digit code identifies each district and allows for up to 99 districts in the county;
Fund	- the two-digit fund code allows for the separation of the district's general fund from the restricted funds for such programs as community services;
Lifespan/ Grade	- this single digit can be either a letter or a number providing over 30 choices of grade level groups;
Location	- the two-digit code allows each district to identify financial activity at up to 99 separate locations or schools;
Prime Program	- these three digits allow the identification of the level V programs indicated in the program structure;
Sub Program	- these two digits allow up to 99 level VI programs within each level V program;
User Prime Program	- this code allows expenses for a program such as transportation to be allocated to a science program for a field trip;
Prime Account	- these four digits are established by the *California School Accounting Manual* with some local discretion in the last two digits;
Sub Account	- these two digits allow for further breakdowns within the established prime accounts;
Control	- this single digit can be used in many ways, but typically is to identify the major location of financial control in the district.

The strength of this kind of account structure is in its flexibility. It is designed to be used by a small district with a minimum of detail as well as a large district who operates a very sophisticated and extensive budget.

Account Structure
(Sample)



Note: _ indicates required digits (14)
( ) indicates optional digits (8)

2.5 TOTAL COST ALLOCATION

The total cost of a program includes not only the direct costs, but the direct support and indirect district costs which must be included to accurately assess the fiscal impact of operating the program.

The direct cost of any program is usually obvious, but many times there are additional costs involved in terms of supporting programs and district level overhead. The concept of total cost is important since it gives a more accurate picture of the fiscal impact of an operating program. This provides more visability and allows for better management decisions.

The direct costs are those incurred for resources used directly in the operations of a program. All direct costs charged to programs are classified as objects of expenditure. Examples of costs easily identified with a particular program are teachers salaries and textbooks. Other direct costs such as fringe benefits, substitute salaries and miscellaneous instructional supplies are not as easily identified, but still must be allocated to the using program. Many times these costs have to be prorated between using programs and must be done on an equitable basis, depending on the amount of use or proportional share.

Direct support charges represent the reallocation of portions of the direct costs accumulated in support programs for services rendered directly to using programs. There are various criteria used to determine the valid direct support costs. In many cases, the administrator of the using program has some control or responsibility for the costs of services. In other cases, the costs of services in question would no longer be necessary if the using program were discontinued. One example of a district support charge is the cost of a field trip charged to an instructional program. This is a service rendered that was specifically requested and is beyond the normal home to school transportation services.

The costs of support programs remaining after direct support costs have been transferred are considered indirect costs of the instructional program. These costs are more remotely related to the instructional process and are generally aimed at all of the instructional programs as a group. The indirect costs can be allocated to instructional programs by several different methods. (However, for state reporting purposes, they must be allocated either by the number of teachers and aides in the program or by the program enrollment. An example would be the costs of district administration and transportation which are distributed to all instructional programs on the basis of the ratio of each program's enrollment to the total enrollment in all instructional programs.)

Total Cost Allocation

DIRECT COSTS

Costs incurred for resources used directly in the operational program
Costs for services that directly benefit the users
Includes program personnel salaries, and costs of supplies and equipment

DIRECT SUPPORT COSTS

Costs controlled by the program
Costs for services that directly benefit the users
Includes costs of instructional services and direct pupil services of transportation, counseling and attendance

INDIRECT COSTS

Costs required to operate a number of programs
Includes costs of district administration

CHAPTER II

2.0 The Budget Process

By law, every district must prepare and adopt an annual budget. The process varies in each district, but there are a number of common methods and problems. The advent of revenue limits by SB-90 in 1973 has placed significant limitations on the amount of revenue a district can receive each year. Other facets of the revenue limit concept include the inflation factor, which increases the revenue limit from one year to the next, and the manner in which declining enrollment is handled.

Under California's revenue limit concept, a district can predict its revenue in the budget development process by determining the income for general purposes by calculating its revenue limit. The income for special programs and purposes is then added to obtain the total projected income. Districts have few alternatives for increasing their possible income, and most depend on the approval of the electorate.

2.1 HOW THE BUDGET IS DEVELOPED

The budget is constructed by the district administration, based on ongoing obligations and input from a variety of sources after which it is approved by the Board.

Budget development is usually started with the establishment of a schedule. This schedule must be tied to the legal requirements, but can be expanded to include major milestones of input and review. It can also serve to identify who will be involved and who has responsibility for specific actions and documents. The budget schedule or budget calendar is really the roadway to an efficient budget development process.

The actual process contains several major elements starting with a logical framework which allows visability to all levels. There is very little in a district's budget that can change from one year to the next since most of the expenditures are in personnel which cannot be easily reduced. The remainder of the budget is in supplies, operations and maintenance which have very little flexibility since they are required to support the educational program.

The budget must be started from the ongoing obligations to personnel and required services. There must then be provisions for changes to the existing programs and a cycle of review at the administrative and board levels. There should also be provisions for priorities set by the board, administration and community to put the emphasis on the program changes.

The budget must start with the district's ongoing obligations, but is then supplemented by estimates and projections of increased operational costs and salary schedule increments. At some point, salary improvements for employees must be taken into account either as specific increases budgeted or provisions in the undistributed reserve. The critical element in the whole process is the revenue porjections, when measured against ongoing requirements, which provide the limitations and restrictions on the budget which seem to continually become more restrictive.

The involvement in the budget process varies from district to district. The business office, central administration and board are always involved to some degree. The differences come in the degree that the certificated and classified staff and the community are involved. Some districts use a committee process with extensive involvement while others allow minimal impact of little more than comments at the public hearing. At this point, there is no right answer, but the trend appears to be toward more significant involvement at all levels.

How The Budget Is Developed

SCHEDULE

Established early with specific dates
Designed to meet legal requirements
Identified major milestones
Indicated involvement and responsibility

PROCESS

Develop framework based on current obligation
Impact of changes and priorities
Reviews at various levels
Approved by administration and board

INVOLVEMENT

Business Office - responsible technically
District Administration - responsible administratively
Board - responsible legally representing the public
Staff - involvement depends on district policy
Community - involvement depends on district policy

BASIS

Prior year budget
Actual expenditures for prior years
Predicted increased costs
Projected salary increments
Program changes required and desired
Salary increases anticipated or committed
Priorities of board, administration, staff and community
Revenue projections
Multi-year projections

2.2 REVENUE LIMITS

All school districts are limited in the amount of revenue they can receive each year from state and local sources for general education.

The concept of revenue limits for school districts came into being with the passage of SB-90 in December, 1972; which established the process in the Education Code. The basic concept is to calculate the maximum amount of revenue each district can receive each year and then determine the amount of that maximum which will come from the state and local sources. The revenue limit is based on an amount per ADA and is different for each district because it is based on the amount of revenue per ADA each district actually received in the 72/73 fiscal year.

The process is initiated by calculating the base revenue limit per ADA for the 72/73 fiscal year which is defined as the base year. The total district revenues actually received and utilized that year are determined by adding state income, local income including all tax revenues and any district reserves that were expended. This total district revenue is then divided by the actual district ADA to find the base revenue limit per ADA. This amount is used as the basis for all future calculations.

The 73/74 fiscal year was the first year that the revenue limit concept was required by law to be used in school districts. The calculation begins with the 72/73 base revenue limit per ADA. An inflation factor is then added which will vary from year to year based on legal guidelines to obtain the 73/74 revenue limit per ADA. This limit is then multiplied by the anticipated ADA resulting in the maximum amount of revenue the district can receive for general education. In order to determine the sources of that revenue, the state apportionment is calculated using a legally established formula. The other local income is determined including income from unsecured taxes and prior year tax collections. The state and other local income are then subtracted from the total revenue limit resulting in the maximum amount that may be requested in secured taxes. This amount is then divided by the district secured assessed value to determine the maximum tax rate that may be levied. This tax rate supercedes all previous tax limits, but in many cases will be lower than prior rates due to increased state support and higher district assessed value.

The 74/75 calculations are done exactly as the 73/74 calculations except the starting revenue limit is the 73/74 limit which is then increased by the inflation factor to arrive at the 74/75 revenue limit. The only other difference is the adjustment resulting from the prior years calculations. At the end of 73/74, the revenue limit is again calculated using actual value for ADA and income to determine the amount of secured tax that should have been levied. The difference between the amount that was levied and the recalculated amount that should have been levied is either added or subtracted from the following years tax requirement. Changes in law for 76/77 now requires a separate revenue limit for adult education, meaning unified and high school districts will have two different revenue limits, one for K-12/9-12 and one for adults.

Revenue Limits

72/73 base revenue limit calculation	add	state income
	plus	local income
	plus	reserves used
	equals	total district revenue
	divided by	average daily attendance (ADA)
	equals	base revenue limit per ADA
73/74 revenue limit calculation		72/73 base revenue limit per ADA
	plus	inflation factor
	equals	73/74 revenue limit per ADA
	times	anticipated 73/74 ADA
	equals	total revenue allowed
revenue sources	less	state aid
	less	other local income
	equals	secured tax requirement
	divided by	district assessed value
	equals	district general purpose tax rate
74/75 revenue limit calculation		73/74 revenue limit per ADA
	plus	inflation factor
	equals	74/75 revenue limit per ADA
	times	anticipated 74/75 ADA
	equals	total district revenue allowed
	less	state aid
	less	other local income
	equals	secured tax requirement
	plus/minus	adjustment for 73/74 recalculation
	equals	maximum secured tax requirement
	divided by	district secured assessed value
	equals	district general purpose tax rate

Each succeeding fiscal year is calculated in the same manner as 1974/75.

2.3 INFLATION FACTOR

Each year, the revenue limit of every district is increased by an inflation factor which is defined in the Education Code and varies with each district depending on the magnitude of the district's revenue limit.

The revenue limit concept brought with it the need for some type of inflation factor to increase the amount of funds the district could receive in succeeding years to meet the increased costs of district operation. There are two important figures used, each in determining the inflation amount per ADA allowed each separate district. The first is the base dollar amount per ADA that is available for inflation. The second is a figure which is used as a ratio with the districts' base revenue limit compared to the foundation program amount to determine how much of the inflation amount the district will be allowed. This ratio is commonly referred to as the squeeze factor.

The inflation factor has been used for three years to this point and the amount and method for calculating it has varied each year. The inflation amount for 73/74 was set at $65 for all districts by SB-90. The ratio figures were arbitrary ones set by SB-90 and were different for elementary, high school and unified districts. Legislation the same year increased the inflation amount to $70 under an optional method of calculating the districts base revenue limit.

The inflation amount for 74/75 was determined by the legal formula which indicated it had to be between five and six percent of the prior years foundation program level. This resulted in a different amount for elementary, high school and unified districts and in all cases, a lower amount than the previous year. The figures used to calculate the squeeze factor were significantly lower than the previous year which allowed districts less of the inflation amount.

The inflation amount for 75/76 was changed significantly by SB-220. The amount was identical for elementary, high school and unified districts, but varied between basic aid and equalization districts. The basic amount was set at $63, but had $21 added to allow districts to take advantage of the additional state equalization aid. The figure to be used for the squeeze amount was determined for equalization districts by "squeezing" the first $63 and then adding the $21 to arrive at the total allowable. Basic aid districts had to squeeze the whole $84 since they did not receive any additional state funds.

The inflation amount for 76/77 was changed by SB-1641 to higher amounts for K-12 and also provided for a fixed percentage increase in the adult revenue limits which was not squeezed this year.

The inflation factor will always be a critical issue as long as the revenue limit concept is in effect in school districts. For the past four years, it has been tied to arbitrary amounts that had no correlation with the economy or the actual cost of district operations.

Inflation Factor

Year	Type of District	Inflation Amount	Figure Used to Calculate District Squeeze Factor
73/74	Elementary	$ 70	$ 900
	High School	70	1,165
	Unified	70	980
74/75	Elementary	$ 46	$ 765
	High School	57	950
	Unified	51	846
75/76	Elementary	$ 84 *	$ 825
	High School	84 *	1,010
	Unified	84 *	906
76/77	Elementary	$103	$ 909
	High School	104	1,094
	Unified	103.34	992
	Adult	9.51% of adult rev. limit	no squeeze this year

* Basic aid districts were required to squeeze the entire $84.

Equalization districts were required to squeeze only $63 and were then allowed to add a full $21.

2.4 DECLINING ENROLLMENT

A major problem facing a majority of districts is declining enrollment because all general purpose income is tied directly to enrollment and it is difficult to reduce expenditures as fast as enrollment declines.

The revenue limit concept has placed an extreme emphasis on the number of ADA each district has each year. In the past, state aid was the only district income that was tied to the district's ADA with the remainder of the income being based on the district's assessed value and tax rate. Under the revenue limit approach, all district income for general purpose is tied directly to the district's ADA and is not affected by any change in the district's assessed value. This in iteself is not bad and in a growing or stable district, the revenue increases each year due to the inflation factor and any increase in ADA. The problem becomes acute when a district is experiencing a decline in enrollment and becomes critical when the decline grows to a significant percentage.

The declining district finds itself with a budget that is decreasing faster than the district expenditures can be reduced. Some districts with large declines actually have budgets lower than the preceding year despite the increased cost of operation. A good example of the impact would be a district with the state average revenue limit of $1,100 which has a decline of 90 ADA. This would mean a loss of total revenue of $99,000. If the 90 students were in the right places and three classes could be eliminated, there would be a need to release three teachers. If these teachers could be released, it would result in a decrease of district expenditures of $42,000 using the state average teachers salary of $14,000. This still leaves the district with $57,000 in lost revenues which must be cut from district programs and operations with only three less classes.

An attempt was made in legislation to provide some assistance by allowing ADA credit for 50% of the district's decline. Unfortunately, this method only helps a district the first year of the decline or the first year the law went into effect. After that, the district must absorb all of the decline. Another stopgap was used this year when SB-220 increased the allowance to 75% of the decline, but again this is only of benefit the first year with the district absorbing the full loss the following year.

Declining enrollment is going to be a critical factor as long as revenue limits are used and a district's total income is based on ADA. Unified, high school and community college districts have made efforts to increase adult enrollments and many districts have increased summer school enrollments to soften declines. Declining enrollment is an issue that is going to have to be faced in any future finance plans.

District Sample

District revenue limit	$ 1,100
ADA decline	90 ADA
District revenue loss	99,000
Release of three teachers @ $14,000 (state average)	42,000
Loss of revenue to be reduced from other district programs and operations	$57,000

2.5 REVENUE FORECASTING

A district can project its income by calculating its revenue limit for general education and adding any categorical aid and special income.

The critical and major part of a district's income is for general education purposes and is limited by the revenue limit calculations for K-12 and adult. The actual income comes from the state and several local tax sources, but in no case can total more than the district's calculated revenue limit. Therefore, any revenue forecasting must begin with the district's total revenue limit for general education, along with any adjustment to the prior years recalculations where actual values are used in place of estimates. Most districts will find that over 80% of their total income will be for general purpose.

Many districts receive some type of federal income which is for specific programs. The only exceptions to this are PL-874 and forest reserve impact aid, which replaces tax income lost due to federal activities in the district and can be used for general purposes. Most other federal funds are for restricted purposes such as ESEA Title I, which is for defined programs for the educationally disadvantaged. Most federal programs tend to fluctuate in purpose and level of funding so projecting district income into future years is difficult.

The state provides income for special programs over and above the principal apportionment for general education. These categorical programs are very restrictive and must be done in conformance with the Education Code. The program must be operated, for the funds cannot be used for any other purpose. Most categorical programs are predicated on the number of students and classes served so predictions can be made for succeeding years. (The major variables are the level of state support which tends to increase each year, but depending on the funds available at the state level, the total funds predicted by a district may not be received.) The state funding for STRS was increased by legislation for 76/77, but still does not assure that sufficient categorical funding for that purpose will cover the actual cost.

Other local income can be received from permissive override taxes that may be levied each year under the legal limitations. The amounts budgeted depend on the requirements of the programs and district's assessed value. As in the case of the other categorical programs, all funds received must be spent within the program for which the taxes were levied.

Other sources of district income include funds received from other districts for their residents to attend your districts schools. All income is then added to the district's beginning balance to determine the funds that will be available for expenditure during that year for K-12 and adult programs. Revenue forecasting is complicated and far from exact, but it can and must be done regularly and updated often.

REVENUE FORECASTING

	K-12/9-12	Adult
A. GENERAL PURPOSE		
Total Revenue Limit 1975/76 (SB-90 Calculation)		
Adjustment To Prior Year Secured Tax Levy (SB-90 Recalculation)		
B. FEDERAL INCOME		
1. Federal Sources		
2. State Sources		
3. County Sources		
4. Local Sources		
5. Combined		
C. STATE INCOME CATEGORICAL AID		
1. Educationally Handicapped		
2. Mentally Gifted		
3. Educable Mentally Retarded		
4. Physically Handicapped		
5. Trainable Mentally Retarded		
6. Transporting Handicapped Pupils		
7. Driver Training		
8. Allowance For Transportation		
9. Educationally Disadvantaged		
10. Elementary School Reading Program		
11. Instructional TV		
12. Early Childhood		
13. STRS Apportionment		
D. COUNTY INCOME		
Misc. Funds (E.C. 17606)		
E. LOCAL INCOME		
1. Earthquake Safety		
2. Public School Building Loan		
3. State School Building Loan		
4. Community Services		
5. Meals for Needy		
6. ROP/ROC Capital Outlay		
7. Other		
Total Income (J-41)		
F. INCOMING TRANSFERS		
G. BEGINNING BALANCE		
H. TOTAL INCOME - GENERAL FUND		

2.6 INCREASING DISTRICT REVENUE

District income can be increased by restricted permissive override taxes and votes of the electorate to increase the operational revenue limit or to authorize the sale of bonds for capital outlay.

The maximum amount of revenue a district can receive for general education is set by provisions in the Education Code. There are some specific purposes for which a governing board can on its own decision increase local taxes through permissive override taxes. Any other increases, whether for operational or building needs, must be approved by the voters of the district.

In the past years, there have been many permissive override taxes available to districts for very specific restricted purposes, but SB-90 eliminated most of the permissive taxes. The ones remaining are still restricted and can be levied on the prerogative of the governing board. The major permissive overrides that are still available include community services, meals for the needy, construction to meet earthquake standards, and regional occupational programs (ROP). There are several other little used taxes including some special ones for community colleges. Most of these taxes have limitations in the form of specified tax rates with the majority being $.05 or $.10. Most districts use the community services and meals for the needy taxes and many high school and unified districts use the ROP tax. The others depend on the special programs and needs of the district.

Every district has a calculated revenue limit per ADA; or for districts with adult programs, two revenue limits, which are increased each year by an inflation factor. This is the maximum a district can receive per ADA unless it is increased by the voters in the district. A governing board can call a revenue limit increase election to be held with one of the three general elections held each year. The board must determine and state on the ballot the amount by which the revenue limit will increase and the number of years that the increase will be in effect. The ballot must also state the impact on local property taxes if the revenue limit increase is approved. This type of election only requires a majority vote.

Another district requirement may be for capital outlay funds to construct or rennovate buildings or to purchase major equipment. Funds can be raised for this purpose through sale of bonds which have been approved by the voters of the district. Under normal conditions, a bond issue is the only way a district can raise the funds for school construction, so it is a very common practice. Unfortunately, current law requires that these bond issues be passed by a 2/3 vote.

The current law makes it very difficult for a district to raise additional funds over the revenue limit for general education purposes. In all cases, any increase results in an increase in local property taxes.

PERMISSIVE OVERRIDES

At discretion of governing board, including:

- Community services
- Meals for the needy
- Regional Occupational Programs (ROP)
- Earthquake safety
- Others

VOTED REVENUE LIMIT INCREASE

Election called by governing board
Specific increase in revenue limit per ADA for a specified period of time
Majority vote required by electorate

VOTED REVENUE FOR CAPITAL OUTLAY

Election called by governing board
Bond election with amount of bonds specified and 2/3 vote required by electorate
Lease purchase election with amount and purpose specified and majority vote required by electorate

3.0 CHAPTER III

THE BUDGET DOCUMENTS

The district annual budget is a legal document which must be submitted on official forms. The Education Code sets the legal calendar which must be followed for the adoption and submission of the budget. The actual budget must be submitted on the state's form J-41-B which is very simple and brief. Along with the budget, the district must submit its annual financial report. This report is more extensive than the budget with a significant amount of detail of both the district's programs along with a more detailed cost data report of specific selected programs.

3.1 LEGAL CALENDAR

The district governing board is legally responsible for adopting the school district budget in accordance with a calendar specified in the Education Code.

All official governing board actions on the adoption and transmittal of the budget must be taken at a regular or properly called special meeting, and must be recorded in the minutes of the board. Here is the official action that must be taken:

DATE On or before July 1 ACTION Board files tentative budget EDUCATION CODE SECTION 20607 (a)	EXPLANATION Each school district files a tentative budget with the County Superintendent of Schools.
DATE On or before July 15 ACTION Board files tentative budget EDUCATION CODE SECTION 20607 (b1 and 2)	EXPLANATION The County Superintendent of Schools examines and makes any technical corrections to the tentative budget and indicates changes he deems desirable or necessary to determine the tax requirement. He makes any recommendations he deems necessary to insure that the proposed expenditures do not exceed the anticipated revenues and that the anticipated revenues are realistic. He transmits to the governing board a written explanation of the reasons for such changes.
DATE On or before July 20 ACTION Board files publication budget EDUCATION CODE SECTION 20607 (c)	EXPLANATION The governing board makes such changes in the tentative budget as it deems necessary or desirable and returns the budget to the County Superintendent of Schools. Such budget constitutes the publication budget. A copy of this publication school budget is sent to the county auditor.
DATE July (last week) ACTION Adoption of budget by a few districts EDUCATION CODE SECTION 20607 (d)	EXPLANATION The governing board in districts not required to hold a public hearing (that is, if no district tax is required or in elementary districts employing but one teacher) adopts the budget and files it with the County

EXPLANATION (continued)
Superintendent of Schools for his use and transmittal to the Board of Supervisors, the county auditor, and the Superintendent of Public Instruction.

DATE
July (last week)

ACTION
Publication of budget

EDUCATION CODE SECTION
20504

EXPLANATION
The County Superintendent of Schools publishes the budget for each district (except for those not required to hold a public hearing per the above) at least once in a newspaper of general circulation.

DATE
August 1-7, incl.

ACTION
District public hearing

EDUCATION CODE SECTION
20504

EXPLANATION
The governing board of each district (except for those not required to hold a public hearing per the above) holds a public hearing on the budget, providing the community an opportunity to react to the proposed budget and provide input to the budget process.

DATE
August 8, 9, 10

ACTION
Adoption and filing of budget

EDUCATION CODE SECTION
20607 (d)

EXPLANATION
On or before August 8, school districts with less than 10,000 A.D.A. and on or before August 10 school districts with more than 10,000 A.D.A., the governing board adopts the budget. Such budget is filed with the County Superintendent of Schools, the county auditor, the County Board of Supervisors, and the Superintendent of Public Instruction.

DATE
August 15

ACTION
County Superintendent transmittal to county and state officials

EDUCATION CODE SECTION
20607 (e)

EXPLANATION
The County Superintendent approves the budget as adopted by the governing board and files a copy with the Board of Supervisors, the county auditor, and an ORIGINAL with the Superintendent of Public Instruction.

3.2 ANNUAL FINANCIAL AND BUDGET REPORT (J-41)

The annual financial and budget report is filed in conjunction with the prior years annual financial report on the state J-41 form.

This annual financial and budget report must be reviewed and approved by the governing board three separate times, in accordance with the legal calendar before it is finally approved by the County Superintendent and filed with the Board of Supervisors, County Auditor, and Superintendent of Public Instruction. The document is originally compiled and approved as the tentative annual budget report. It then may be revised prior to its approval as the publication annual budget report which is then published in the required general circulation newspaper. It then may be resived once more, at which time a public hearing is held followed by the final adoption by the governing board. Some board members do not actually see this document, but it is the actual budget which is approved and sent to the various legal agencies; and it must be signed officially by the board. This signature may be that of the board member acting as clerk, or the board secretary which in many cases is the Superintendent.

The second page of this document is an index and summary of the parts of the form that the district submitted since all districts do not use all parts. There are several pages which cover tax rates and calculation worksheets, but the heart of the document is Part I, which is the general fund report and is described in detail in following pages. The other parts are filed if the district has a bond program, is still paying for a building program either directly or through the state school building fund, and if the district has a cafeteria, children's center, or development center for handicapped pupils.

The budget and financial report gives a three-year picture of the district's income and expenditure activity. It covers the budget for the coming years as well as the actual history for the past two years. This provides increased visability and a valuable frame of reference to anyone reviewing the document.

Annual Financial and Budget Report (J-41)

CALIFORNIA STATE
DEPARTMENT OF EDUCATION
FORM NO. J-41 (Rev. 4-76)

ANNUAL FINANCIAL AND BUDGET REPORT

FOR STATE USE ONLY | | | 1 |

(Budget for the Fiscal Year Beginning July 1, 1976 and Ending June 30, 1977)

_____ School District _____ County, California

1. NOTICE OF ADOPTION AND TRANSMITTAL
All action shall be taken on this report during regular or authorized special meetings of the governing board.

To the County Superintendent of Schools:
a. TENTATIVE ANNUAL BUDGET REPORT. This report is hereby filed by the governing board of the school district.

Date of meeting _____, 1976 Signed _____ Clerk/Secretary

b. PUBLICATION ANNUAL BUDGET REPORT. The governing board, having made on _____, 1976, such revisions, additions, and changes as it deems necessary, pending publication, public hearing, and final adoption, hereby returns the report.

The public hearing on this report will be held at _____ (Place)

on _____, 1976, at _____ o'clock ____M.,

Signed _____ Clerk/Secretary

c. ADOPTED ANNUAL BUDGET REPORT. This report was adopted subsequent to public hearing (except in districts not required to hold a public hearing) by the governing board of the district.

Date of meeting _____, 1976 Signed _____ Clerk/Secretary

TO THE BOARD OF SUPERVISORS, THE COUNTY AUDITOR, AND THE SUPERINTENDENT OF PUBLIC INSTRUCTION:

This report has been examined and approved by _____ (County Superintendent of Schools)

_____, 1976 By _____ Deputy

TABLE OF CONTENTS

This report shall include, in summary form, all actual financial transactions and balances of the district for the preceding and current fiscal years and the officially proposed budget for the next succeeding year.
Separate pages are provided for the several funds established or authorized by the Statutes. Districts may use only those pages needed for the Special Funds or Accounts. Show by check mark in the spaces below that the pages for the various special funds are "used" or "not used."

Page			This district has Used	This district has Not Used	SUMMARY Interfund Transfers Acct. 7300	SUMMARY Interfund Transfers Acct. 8930
1		NOTICE OF ADOPTION AND TRANSMITTAL.....	X			
2		GRADE SPAN, A.D.A.....	X			
3 3		SUMMARY OF CURRENT DISTRICT TAX REQUIREMENTS (SECURED ROLL).....	X			
3-3a		ANALYSIS OF CERTAIN RESTRICTED TAXES.....				
	PART	FUND				
4-18	I	GENERAL FUND.....	X		$	$
23-26	II	BOND INTEREST AND REDEMPTION FUND.....			$	$
27-31	III	BUILDING FUND.....			$	$
32-35	IV	SPECIAL RESERVE FUND.....			$	$
36-39	V	STATE SCHOOL BUILDING FUND.....			$	$
40-44	VI	CAFETERIA.....(Specify "fund" or "account")..			XXXXXXXXXXXX	XXXXXXXXXXXXXXXXX
45-51	VII	CHILD DEVELOPMENT FUND.....			$	$
52-58	VIII	DEVELOPMENT CENTER FOR HANDICAPPED PUPILS FUND....			$	$
59	IX	_____...			$	$
21-22	I	ANNUAL FINANCIAL & BUDGET REPORT OF PROGRAMS.....	X		$	$

3.3 ANNUAL FINANCIAL AND BUDGET REPORT - INCOME

The annual financial and budget report must be filed with the state at the beginning of each fiscal year. It includes beginning balance and a listing of the income by source.

The annual financial and budget report must be filed with the state at the beginning of each fiscal year. This report is in the same account format for both the annual budget and financial report. The report is divided into four parts, including the beginning balance, income, expenditures, and ending balance. The report shown covers the district general fund. All other funds are contained in following parts of the J-11 in an identical format.

The beginning balance is the actual for prior years and estimates for the new year. It includes the district's cash which is primarily in the county treasury, but could also be in banks for restricted purposes or in revolving cash funds. Other district assets include the amount of funds contained in the district stores which can include materials that were purchased but not yet charged to an operating program. Adjustments are made to the previously estimated accounts receivables and payables now that actual figures are available. The total sum of these items results in the adjusted net ending balance of the district.

The income is separated by source covering the federal, state, county and local levels. The majority of federal income is in PL-874 which is impact aid in lieu of taxes lost due to federal installations and the Elementary and Secondary Education Act primarily in Title I. The majority of state income is in the form of principal apportionment which is unrestricted and used for general education. The special purpose apportionments and special allowances are categorical funds that are restricted for specific purposes and are obtained because the district is operating specific programs. Other apportionments are provided for facilities, children's centers and development centers and are again funds for which the district must qualify. The majority of county income will be in the equalization offset tax for counties that lose state income due to under assessments of property by the County Assessor. Other income could be in high school or community college tuition in counties where the whole county is not covered by high school or community college districts. The majority of local income is in the form of district taxes, including secured, unsecured and prior year taxes. Elementary districts will get areawide aid and depending on the county, most districts will receive interest.

The incoming transfers will include tuition and incoming transfers from other districts for the education of their students.

The total of all income sources and the beginning balance results in the total amount that the district has available for expenditure during the fiscal year.

Annual Financial and Budget Report - Income

CALIFORNIA STATE
DEPARTMENT OF EDUCATION
FORM NO. J-41 (Rev. 4-76)

ANNUAL FINANCIAL AND BUDGET REPORT - 1976-77

PART I

GENERAL FUND

FOR STATE USE ONLY | | | 1 |

_____School District_____County, California

	Column 1 1974-75 Actual (Dollars Only)	Column 2 1975-76 Actual (Dollars Only	E.D.P. No.	Column 3 1976-77 Budget (Dollars Only)
A. BEGINNING BALANCE, JULY 1				
Cash in County Treasury				
Cash in Bank(s) (E.C. 5758 or 7405 only)				
Revolving Cash Fund (E.C. 21301-21305, 21320)				
Cash Collections Awaiting Deposit (E.C. 17152-17207)				
Investments in U.S. Bonds (at cost; E.C. 17203)				
Accounts Receivable (reported on Form J-43-A)				
Stores				
Prepaid Expense				
Other Current Assets				
TOTAL CURRENT ASSETS				
Less: Current Liabilities and Deferred Income (reported on Form J-43)				
NET BEGINNING BALANCE (Must agree with Net Ending Balance reported for prior year)				
Adjustments to Accounts Receivable				XXXXXXXXXXX
Adjustments to Current Liabilities				XXXXXXXXXXX
ADJUSTED NET BEGINNING BALANCE			220	

	Column 1 1974-75 Actual (Dollars Only)	Column 2 1975-76 Actual (Dollars Only	E.D.P. No.	Column 3 1976-77 Budget (Dollars Only)
B. INCOME				
8100-8400 FEDERAL INCOME				
8110 Maintenance and Operation (P.L. 81-874)			228	
8120 Veterans' Education			230	
8140 Education Professions Development Act (P.L. 90-35)			240	
8150 Economic Opportunity Act (P.L. 88-452)			245	
8160 Elementary and Secondary Education Act (P.L. 89-10)			250	
8170 Comprehensive Employment Training Act of 1973 (P.L. 93-203)			255	
8210 National Defense Education Act (P.L. 85-864)			260	
8230 Manpower Development and Training Act (P.L. 87-415)			285	
8240 Vocational Education Amendments of 1968 (P.L. 90-576)			290	
8310 Forest Reserve Funds (E.C. 20251)			295	
8320 Flood Control Funds (E.C. 20109)			300	
8330 U.S. Wildlife Reserve Funds			305	
8480 "Miscellaneous Funds" (E.C. 17606)			310	
8490 Other Federal Income			315	
Subtotal			320	
8500 COMBINED FEDERAL AND STATE INCOME				
8580 "Miscellaneous Funds" (E.C. 17606)			330	
8590 Other Federal and State Income			335	

Annual Financial and Budget Report - Income (continued)

FORM NO. J-41 (Rev. 4-76) ANNUAL FINANCIAL AND BUDGET REPORT - 1976-77
PART I
GENERAL FUND

_____School District_____County, California

	Column 1 1974-75 Actual (Dollars Only)	Column 2 1975-76 Actual (Dollars Only)	E.D.P. No.	Column 3 1976-77 Budget (Dollars Only)
B. INCOME (CONTINUED)				
8500 COMBINED FEDERAL AND STATE INCOME (CONCLUDED)				
Subtotal			340	
8600 STATE INCOME				
8610 Principal Apportionment				
8611 Basic and Equalization Aid (Including STRS)..			355	
8612 Physically Handicapped.....			360	
8613 Educable Mentally Retarded.....			365	
8614 Trainable Mentally Retarded.....			370	
8615 Transportation of Handicapped Pupils.....			375	
8616 Educationally Handicapped.....			38-	
8617 Mentally Gifted.....			385	
8620 Special Purpose Apportionment				
8621 Driver Training.....			395	
8622 Transportation.....			400	
8623 Project-connected Pupils.....			405	
8624 Educationally Disadvantaged.....			410	
8625 Early Childhood Education.....			420	
8630 Special Allowances				
8631 Apportionment for the Elementary School Reading Program.....			430	
8632 Allowance for Instructional Television.....			435	
8633 Apportionment for Special Teacher Employment.			440	
8634 Allowance for Demonstration Programs in Reading and Mathematics.....			445	
8635 Apportionment for Handicapped Pupils for Whom No State Special Education Facilities are Available.....			450	
8636 Apportionment for Instructional Materials (E.C. 9442(b)).....			455	
8638 Special Education Master Plan.....			460	
8639 Other Special Allowances.....			465	
8670 Tax Relief Subventions				
8671 Business Inventory Exemptions (Included in 8811-8812 on Page 10, Col. 3).....			475	XXXXXXXXXXX
8672 Home Owners' Exemptions (Included in 8811-8812 on Page 10, Col. 3).....			480	XXXXXXXXXXX
8673 Williamson Land Act of 1967.....			485	
8670 Other Tax Relief Subventions.....			490	
8680 "Miscellaneous Funds" (E.C. 17606).....			495	
8690 Other State Income.....			500	
Subtotal			505	
8700 COUNTY INCOME				
8720 Equalization Aid Offset Tax.....			520	
8730 High School Tuition Tax.....			525	
8760 County School Building Aid (E.C. 19683.5, 19685, 20453).....			527	
8780 "Miscellaneous Funds" (E.C. 17606).....			530	
8790 Other County Income.....			535	
Subtotal			540	

Annual Financial and Budget Report - Income (continued)

FORM NO. J-41 (Rev. 4-76) ANNUAL FINANCIAL AND BUDGET REPORT - 1976-77
PART I
GENERAL FUND

_____School District_____County, California

	Column 1 1974-75 Actual	Column 2 1975-76 Actual	E.D.P. No.	Column 3 1976-77 Budget
B. INCOME (CONTINUED)	(Dollars Only)	(Dollars Only)		(Dollars Only)
8800 LOCAL INCOME				
8810 District Taxes				
8811 Secured Roll (Only Col. 3 to include HOX & BIX) (Amount in Col. 3 must agree with Part I-A, Col. 4, Page 2)			550	
8812 Unsecured Roll			555	
8813 Prior Years' Taxes			560	
8820 City and County Taxes			565	
8830 Areawide Taxes (E.C. 17702.2)				
8831 Secured Roll			570	
8832 Unsecured Roll			575	
8833 Prior Years' Taxes			580	
8840 Sales				
8842 Sale of Equipment and Supplies			590	
8843 Sale of Land and Buildings			595	
8845 Sale of Publications			597	
8849 Other Sales			600	
8850 Rentals and Leases, Except "Miscellaneous Funds"			605	
8860 Interest			610	
8870 Fees and Contracts				
8871 Adult Education			615	
8872 Nonresident Students			620	
8873 Contract Services			622	
8876 Use of Buildings Fees (E.C. 6880.19 and 6952.5)			624	
8879 Other Fees and Contract Services			628	
8880 "Miscellaneous Funds" (E.C. 17606)			630	
8890 Other Local Income			635	
Subtotal			640	
8900 INCOMING TRANSFERS				
8910 Junior High Tuition for Grades Seven and Eight			645	
8920 Other Tuition			650	
8930 Interfund Transfers			655	
8990 Other Incoming Transfers			660	
Subtotal			665	
TOTAL INCOME (EXCLUSIVE OF BEGINNING BALANCE)			670	
C. TOTAL, NET BEGINNING BALANCE AND INCOME (Must equal F)			675	

3.4 ANNUAL FINANCIAL AND BUDGET REPORT - EXPENDITURES

The annual financial and budget report includes a listing of all expenditures for the fiscal year by major object.

The annual financial report summarizes all the districts expenditures for the fiscal year. The reports lists the expenditures by the object accounts specified by the *California School Accounting Manual*. All funds are reported with the general fund with other funds being reported in similar fashion in following parts of the J-41. The expenditures are separated by each thousand series of account numbers with each series being for a different purpose. The district can account in further detail, but it is only reported at the level indicated.

1000 - Certificated Salaries
All salaries paid to credentialed employees are listed in this series. The Manual specifies further detail in the categories listed, such as teachers, school administrators and librarian's salaries.

2000 - Classified Salaries
All salaries paid to classified employees are reported in this section. Some definition is provided by the account numbers which indicate the general function performed by the employee, such as maintenance, clerical and transportation.

3000 - Employee Benefits
The fringe benefits paid by the district for all employees are listed in this series. This includes the mandatory payments, such as the retirement and social security as well as the health and welfare programs determined by the district.

4000 - Books, Supplies and Equipment
The materials that are used for all programs are reported in this series, which includes books, instructional supplies, as well as the supplies for food services and transportation.

5000 - Contracted Services and Other Operating Expenses
This series is used for reporting services rendered by people and agencies outside the district. It includes the costs of consultants as well as district costs for insurance, utilities and other districtwide operations.

6000 - Sites, Buildings, Books and Equipment
All capital outlay is reported in this 6000 series. It is further divided into costs for sites and buildings which deals with the district's facilities. It also includes books and media as well as all types of equipment. All of the items reported in this section become fixed assets and should be accounted for by the district on an ongoing basis.

All of the expenditures reported in accounts 1000 through 6000 are totaled to indicate the amount expended directly by the district.

FORM NO. J-41 (Rev. 4-76) ANNUAL FINANCIAL AND BUDGET REPORT - 1976-77
PART I
GENERAL FUND

_____School District_____County, California

	Column 1 1974-75 Actual	Column 2 1975-76 Actual	E.D.P. No.	Column 3 1976-77 Budget
D. EXPENDITURES AND OTHER OUTGO (CONTINUED)	(Dollars Only)	(Dollars Only)		(Dollars Only)
1000 CERTIFICATED SALARIES				
1100 Teachers' Salaries			684	
1200 School Administrators' Salaries			686	
1300 Supervisors' Salaries			688	
1400 Librarians' Salaries			690	
1500 Guidance, Welfare, and Attendance Personnel Salaries			692	
1600 Physical and Mental Health Personnel Salaries			694	
1700 Superintendents' Salaries			696	
1800 Other Certificated Salaries of District Administrative Personnel			698	
1900 Other Certificated Salaries			700	
Subtotal			702	
2000 CLASSIFIED SALARIES				
2100 Instructional Aides for Direct Teaching Assistance Salaries			706	
2200 Classified Salaries of District Administrative Personnel			708	
2300 Clerical and Other Office Personnel Salaries			710	
2400 Maintenance and Operations Personnel Salaries			712	
2500 Food Service Personnel Salaries			714	
2600 Transportation Personnel Salaries			716	
2900 Other Classified Salaries			718	
Subtotal			720	
3000 EMPLOYEE BENEFITS				
3100 State Teachers' Retirement System Annuity Fund			724	
3200 Public Employees' Retirement Fund			726	
3300 Old Age, Survivors, Disability, and Health Insurance			728	
3400 Health and Welfare Benefits				
3410 Health and Welfare Benefits for Teachers and Instructional Aides			732	
3420 Health and Welfare Benefits for All Other Employees			734	
3500 State Unemployment Insurance				
3510 Unemployment Insurance for Instructional Aides			738	
3520 Unemployment Insurance for All Other Employees			740	
3600 Workers' Compensation Insurance			742	
3900 Other Benefits			744	
Subtotal			746	
4000 BOOKS, SUPPLIES, AND EQUIPMENT REPLACEMENT				
4100 Textbooks				
4110 Textbooks, General Purpose Funds			750	
4140 Textbooks, (E.C. 9442(b))			752	
4200 Other Books				
4210 Other Books, General Purpose Funds			758	
4240 Other Books (E.C. 9442(b))			760	
4300 Instructional Supplies				
4310 Instructional Supplies, General Purpose Funds			764	
4340 Instructional Supplies (E.C. 9442(b))			766	
4400 Instructional Media Materials and Supplies				
4410 Instructional Materials			780	
4420 Instructional Media Supplies			782	
4440 Instructional Media Materials (E.C. 9442(b))			784	

Annual Financial and Budget Report - Expenditures (continued)

FORM NO. J-41 (Rev. 4-76) ANNUAL FINANCIAL AND BUDGET REPORT - 1976-77
PART I
GENERAL FUND

_____School District_____County, California

	Column 1 1974-75 Actual	Column 2 1975-76 Actual	E.D.P. No.	Column 3 1976-77 Budget
D. EXPENDITURES AND OTHER OUTGO (CONTINUED)	(Dollars Only)	(Dollars Only)		(Dollars Only)
4000 BOOKS, SUPPLIES, AND EQUIPMENT REPLACEMENT (CONCLUDED)				
4500 Other Supplies			788	
4600 Pupil Transportation Supplies			790	
4700 Food Services				
4710 Food (See Instructions)			794	
4720 Meals for Needy Pupils			796	
4790 Other Food Services (Supplies)			798	
4800 Equipment Replacement			800	
Subtotal			802	
5000 CONTRACTED SERVICES AND OTHER OPERATING EXPENSES				
5100 Contracts for Personal Services				
5110 Contracts for Personal Services, General Purpose Funds			808	
5140 Contracts for Personal Services (E.C. 9442(b))			810	
5200 Travel and Conference Expense			812	
5300 Dues and Membership			814	
5400 Insurance				
5410 Fire and Theft			818	
5420 Liability Insurance			820	
5430 Fidelity Bond Premiums			822	
5440 Pupil Insurance			824	
5500 Utilities and Housekeeping Services			826	
5600 Contracts, Rents, and Leases			828	
5700 Legal, Election, and Audit Expenses			830	
5800 Other Services and Expense for Administrative Districtwide Operation			832	
Subtotal			834	
6000 SITES, BUILDINGS, BOOKS AND MEDIA, AND NEW EQUIPMENT				
6100 Sites and Improvement of Sites			838	
6200 Buildings and Improvement of Buildings			840	
6300 Books and Media for New or Expanded School Libraries				
6310 Library Books			842	
6320 Library Materials			844	
6400 Equipment				
6410 Audio-Visual Equipment			848	
6420 Library Equipment			850	
6430 Food Service Equipment			852	
6440 Pupil Transportation Equipment			854	
6490 All Other Equipment			856	
Subtotal			858	
SUBTOTAL, EXPENDITURES (1000-6000)			860	

3.5 ANNUAL FINANCIAL AND BUDGET REPORT OTHER OUTGO AND ENDING BALANCE

The annual financial and budget report concludes with a listing of miscellaneous other outgo and the district's ending balance.

The final sections of the annual financial and budget report contain miscellaneous items included under other outgo and concluding with the various parts of the district's ending balance. The 7000 series includes all other outgo and is segregated into three types of district payments.

7100 - Debt Services
Debt services consists of expenditures for the retirement of debt and for the interest on that debt. The debts involved include repayments of school building apportionments, redemptions of bonds, bond interest and other miscellaneous payments.

7200 - Outgoing Tuition
This section includes all tuitions that a district pays to other districts or agencies for the education of students residing within the districts. The majority of these tuitions would be in the area of interdistrict attendance agreements.

7300 - Interfund Transfers
This section is used to report all transfers of monies from the general fund to other restricted funds or transfers between the general fund and other special funds.

7400 - Other Transfers
This section is used for unique fund transfers such as funds from districts that are being unified or transfers to the County School Service Fund by districts under 901 ADA.

The final section of the report details the district's ending balance as of the end of the fiscal year. It contains the same line items as the beginning balance and will of course be carried over as the beginning balance for the following year. The current asset listing includes all cash on hand in addition to the accounts receivable and stores. The accounts payable are included in current liabilities and the sum of the assets and liabilities results in the net ending balance. Finally, the total of all expenditures, other outgo and ending balance is reported and must equal the sum of the beginning balance and all income.

Annual Financial and Budget Report
Other Outgo and Ending Balance

FORM NO. J-41 (Rev. 4-76) ANNUAL FINANCIAL AND BUDGET REPORT - 1976-77
PART I
GENERAL FUND

_____School District_____County, California

	Column 1 1974-75 Actual	Column 2 1975-76 Actual	E.D.P. No.	Column 3 1976-77 Budget
D. EXPENDITURES AND OTHER OUTGO (CONTINUED)	(Dollars Only)	(Dollars Only)		(Dollars Only)
7000 OTHER OUTGO				
7100 Debt Service				
7110 Annual Repayment on Account of Public School Building Apportionment			865	
7120 Annual Repayment on Account of State School Building Apportionment			866	
7160 Payments to Original District for Acquisition of Property (E.C. 1905)			871	
7190 Other Payments			872	
Subtotal			874	
7200 Outgoing Tuition				
7210 Tuition for Junior High School (Grades Seven and Eight)(E.C. 5605-5611)			890	
7220 Tuition for Instruction Under Interdistrict Attendance Agreements (E.C. 10801-10809)			892	
7230 Tuition for Instruction Provided in a Tuberculosis or Polio Ward (E.C. 6851-6855)			894	
7240 Tuition and Transportation of Children Attending Classes for Handicapped			896	
7250 Tuition for Regional Occupational Centers or Programs (Current Expense)			898	
7260 Tuition for Regional Occupational Centers or Programs (Capital Outlay)			900	
7270 Tuition for Nonimmigrant Children, Noncitizen Children, and Children Residing in Foster Homes and Children's Institutions			902	
7280 Tuition for Exceptional Children (E.C. 6870)			904	
7290 Other Tuition			906	
7300 Interfund Transfers				
7310 To the Child Development Fund and the Development Center for Handicapped Pupils Fund			912	
7320 To the Special Reserve Fund			914	
7330 To the Public School Building Fund or to the State School Building Fund			916	
7390 Other Authorized Interfund Transfers			918	
Subtotal			920	
7400 Other Transfers				
7410 Transfers from Funds of Lapsed or Reorganized School Districts to Another School District (E.C. 2705)			924	
7420 Transfers to the County School Service Fund for the Education of Mentally Retarded Pupils			926	
7430 Transfers to the County School Service Fund for Special Education Students (E.C. 885.5)			928	
Subtotal			930	
7900 Appropriation for Contingencies Subtotal	XXXXXXXXXXXX	XXXXXXXXXXXX		
SUBTOTAL, OTHER OUGO AND APPROPRIATION FOR CONTINGENCIES (7000)			950	
TOTAL EXPENDITURES, OTHER OUTGO AND APPROPRIATION FOR CONTINGENCIES (1000-7000)			980	

Annual Financial and Budget Report
Other Outgo and Ending Balance
(continued)

FORM NO. J-41 (Rev. 4-76) ANNUAL FINANCIAL AND BUDGET REPORT - 1976-77
PART I
GENERAL FUND

_____School District_____County, California

	Column 1 1974-75 Actual (Dollars Only)	Column 2 1975-76 Actual (Dollars Only)	E.D.P. No.	Column 3 1976-77 Budget (Dollars Only)
E. ENDING BALANCE, JUNE 30				
1. Cash in County Treasury	- - - - - - -	- - - - - - -	986	- - - - - - -
2. Cash in _____ Bank	- - - - - - -	- - - - - - -	987	- - - - - - -
3. Revolving Cash Fund	- - - - - - -	- - - - - - -	988	- - - - - - -
4. Cash Collections Awaiting Deposit	- - - - - - -	- - - - - - -	989	- - - - - - -
5. Investments in U.S. Bonds (at cost)	- - - - - - -	- - - - - - -	990	- - - - - - -
6. Accounts Receivable	- - - - - - -	- - - - - - -	991	- - - - - - -
7. Stores	- - - - - - -	- - - - - - -	992	- - - - - - -
8. Prepaid Expense	- - - - - - -	- - - - - - -	993	- - - - - - -
9. Other Current Assets	- - - - - - -	- - - - - - -	994	- - - - - - -
GENERAL RESERVE, JUNE 30	XXXXXXXXXXXX	XXXXXXXXXXXX		
TOTAL CURRENT ASSETS			996	
Less Current Liabilities (Reported on Form J-43)	- - - - - - -	- - - - - - -	997	- - - - - - -
NET ENDING BALANCE			998	
F. TOTAL EXPENDITURES, OTHER OUTGO AND APPROPRIATION FOR CONTINGENCIES PLUS NET ENDING BALANCE (Must equal C)			999	

3.6 ANNUAL FINANCIAL AND BUDGET REPORT OF PROGRAM EXPENDITURES

This annual report to the state indicated the district's expenditures in major instructional and support program categories within the general fund and the combination of other funds.

The annual financial and budget report of program expenditures requires each district to report expenditures in general program areas. This report is easy to compile if districts use a program structure similar to that discussed in Chapter II. The state requires that the instructional program be reported down to level IV and the support service programs down to level V. The expenditures are reported only for the general fund.

The instructional programs must be separated into the function of general education and special education and are divided by basic grade levels. General education includes all academic areas as well as vocational programs. Special education includes all programs for the exceptional child.

The support service programs are separated into four major areas. Instructional support includes school administration as well as district-wide instructional administration and improvement of the instructional program. Special projects are those projects and programs that are approved and funded by state or federal agencies and require special budgets, financial reports and audits. Pupil services include all the activities that relate directly to pupil support at the district level including guidance, counseling, attendance, welfare and health. The general support area is really the district overhead which is required to operate the educational system, including district administration, maintenance, operations and transportation.

The auxiliary programs are those that are part of the overall district operation, but have separate and restricted funding sources. Both community services and facility acquisition and construction can be funded to a specific degree by permissive override taxes, but they must be expended for those specific purposes. Food services is an optional program and can be funded totally by the students purchasing meals or it can be supplemented by district and federal funds.

Other outgo includes tuition paid by the district for its residents attending other schools and other miscellaneous fund transfers. All unallocated funds are listed in the appropriations for contingencies and the budget for general reserve is shown as the expected ending balance.

The grand total shown on this report must balance with that of the annual budget since this is really just a different way of budgeting the same funds in that it is shown by programs instead of objects of expenditure.

Annual Financial and Budget Report of Program Expenditures

FORM NO. J-41 (Rev. 4-76) ANNUAL FINANCIAL AND BUDGET REPORT OF PROGRAMS - 1976-77
PART I
GENERAL FUND

OO

_____School District_____ County, California

	Column 1 1974-75 Actual	Column 2 1975-76 Actual	E.D.P. No.	Column 3 1976-77 Budget
INSTRUCTIONAL PROGRAMS	(Dollars Only)	(Dollars Only)		(Dollars Only)
General Education:			OO	
Preformal			410	
Elementary			415	
Secondary			420	
Adult			425	
Subtotal			430	
Special Education:				
Preformal			440	
Elementary			445	
Secondary			450	
Adult			455	
Subtotal			460	
SUBTOTAL INSTRUCTIONAL PROGRAMS			465	
SUPPORT SERVICE PROGRAMS (DISTRICT TOTALS)				
Instructional Support:				
Instructional Administration			480	
Instructional Media			485	
School Administration			490	
Subtotal			495	
Special Projects (Federal and State Categorical Aid Programs)			500	
Pupil Services			505	
General Support:			OO	
District Administration			515	
Maintenance			520	
Operations			525	
Transportation			530	
Subtotal			535	
SUBTOTAL, SUPPORT SERVICE PROGRAMS			540	
AUXILIARY PROGRAMS				
Community Services			550	
Food Services			555	
Facility Acquisition and Construction			560	
Subtotal			565	
TOTAL EXPENDITURES FOR INSTRUCTIONAL PROGRAMS, SUPPORT SERVICE PROGRAMS, AND AUXILIARY PROGRAMS			570	
OTHER OUTGO				
Tuition			575	
All Other Outgo			580	
Subtotal			585	
APPROPRIATION FOR CONTINGENCIES	XXXXXXXXXXXX	XXXXXXXXXXXX		
NET ENDING BALANCES (Must agree with Net Ending Balance on Page 18)			590	
GRAND TOTAL, EXPENDITURES FOR INSTRUCTIONAL PROGRAMS, SUPPORT SERVICE PROGRAMS, AUXILIARY PROGRAMS, OTHER OUTGO, APPROPRIATION FOR CONTINGENCIES, AND ENDING BALANCE (Must agree with F on Page 18)			595	

3.7 COST DATA REPORT

The cost data report is used to identify the total costs of individual programs by identifying the major objects of expenditure as well as the support and indirect costs.

The cost data report is intended to provide more visability into the actual costs of particular programs operated by the district. This report makes use of the total cost allocation method of direct, direct support, and indirect costs described in Chapter I. It also relates the number of pupils served and the number of employees required to operate the program which then allows a number of comparisons to be made. Currently, the state only requires this form for specific special education programs which have restricted state funding. Eventually, districts can expect to use this format for all district programs to meet both state requirements and district administrative management needs.

The report is done for specific programs indicating the program title, fund and fiscal year. The quantitative data on students is given in both enrollment and ADA, so comparisons can be made both ways. The staff is reported in full-time equivalents to take into account the part-time or prorated staff. The direct costs are normally very straightforward and are those expenditures relating to the actual operation of the program and directed by the department head or program manager. Capital outlay is also included, but it is handled a little differently since large capital purchases in any particular year can significantly distort the cost of the program. The direct support costs are a little harder to determine, but are those which directly benefit and support the program. These costs can be in any other district program as direct costs, but are applied here since they provide support for the program being reported. The indirect costs are much harder to allocate, but they are generally in support of district level programs that have not been applied as direct or direct support. It is difficult to trace many of these programs directly to the classroom, but in most cases, the classroom would not be there or it would not operate without the indirect support.

As districts become more sophisticated in allocating costs and completing costs reports similar to this one, adminstrations and boards will be able to make much more knowledgable management decisions.

Cost Data Report

District

Special project or program title | Fiscal year

Fund

	Number
1. Enrollment	
2. Average Daily Attendance (A.D.A.)	
3. Teachers (full-time equivalent)	
4. Other Certificated Employees (full-time equivalent)	
5. Classified Employees (full-time equivalent)	
	Amount
DIRECT COSTS	
6. Certificated Salaries	
7. Classified Salaries	
8. Employee Benefits	
9. Books and Supplies	
10. Equipment Replacement	
11. Contracted Services	
12. Other	
13. Subtotal (lines 6 through 12)	
14. Capital Outlay	
15. Total Direct Costs (lines 13 and 14)	
DIRECT SUPPORT CHARGES	
16. Instructional Administration and Media	
17. Special Projects	
18. Pupil Services	
19. General Support	
20. Auxiliary Services	
21. Total Direct Support Charges	
22. Total Direct Costs and Direct Support Charges (lines 15 and 21)	
INDIRECT SUPPORT CHARGES	
23. Instructional Administration and Media	
24. Special Projects	
25. Pupil Services	
26. General Support	
27. Auxiliary Services	
28. Total Indirect Support Charges	
29. Total Costs (lines 22 and 28)	

4.0 CHAPTER IV

Budget Management

A budget is the fiscal plan for the operation of the district and its educational programs. Once the budget is adopted at the start of the fiscal year, it cannot be forgotten. It must be continually followed and monitored by management as with any plan. The administration is charged with carrying out the plan and the board is obligated to monitor its process and to take any required action to insure its successful completion. The district adminstrative management carries out its responsibility through its business office and the use of regular detailed financial status reports. The board carries out its policy level responsibility through regular summary financial reports and taking actions based on alternatives presented by the district superintendent and fiscal officers.

4.1 BUDGET REPORTS

A governing board can monitor the fiscal condition of the district through the review of regular financial reports.

A school board can monitor the current fiscal condition of the district through the use of special or selected district financial reports. Every district business office maintains records of current month and year-to-date expenditures. These records will be by account to correspond with the adopted district budget and may also be by program and location if the district has budgeted internally to those levels. The district business office also maintains records of the revenues that have been received and can compare them with the budgeted income as shown in the district budget and other more detailed district records.

Most districts maintain very detailed records that are required by the business office to properly account for all the district's fiscal activity. Reports at this detail level are not the best level for a board to review as they tend to overload members with too much information, making it more difficult to operate at the management and policy levels.

The reports that the board should require would provide overall summaries that will present an accurate picture of the district's fiscal condition in a few pages. This information should include the district expenditures by major account and a comparison with the adopted or revised budget indicating the balance remaining. As the fiscal year progresses, the rate of expenditures and remaining balances give an indication of how well the district is following the fiscal plan. Any unusual expenditure patterns should be reviewed at a lower level and a budget revision or other corrective action should be taken as necessary.

The revenue side of the budget should also be reviewed in terms of current funds received and whether the revenue projections are still valid. The current income is reviewed on reports similar to the expenditure reports indicating funds received to date compared with the budget indicating the balance to be received. The projections should be reviewed regularly by assessing the district's enrollment and resulting ADA, as this one factor controls much of the funds that may and will be received. The review of revenue is critical as no matter how well the district stays within its expenditure budget, a reduction in revenue could lead to a fiscal crisis.

If the revenue is being received as expected, steps should be taken to transfer funds from the unallocated reserve or to reduce the current level of expenditures. During a school year, there are very few areas that can be reduced. Most of them are in the areas of supplies, extra help, and contracted services. The severity of these reductions will depend on the magnitude of the fiscal problem and the timeliness with which it is faced.

Budget Reports

Program Report (Sample)

		FISCAL YEAR TO DATE			
		BUDGET	EXPENDITURE	ENCUMBERED	BALANCE
712 SUPERINTENDENT					
1000	CERTIFICATED SALARIES	10,850.00	7,233.28	3,616.64	.08
2000	CLASSIFIED SALARIES	24,774.00	16,560.00	8,280.00	66.00
3000	EMPLOYEE BENEFITS	6,719.00	2,487.47	.00	4,231.53
4000	BOOKS, SUPPLIES AND REPLACEMNT	13,000.00	6,844.50	1,500.00	4,655.50
5000	CONTRACTED SERVICES	1,500.00	1,476.03	431.73	407.76
	TOTAL PROGRAM	56,843.00 *	34,601.28 *	13,828.37 *	8,413.35 *
713 PERSONNEL					
2000	CLASSIFIED SALARIES	41,550.00	27,474.20	13,764.00	311.80
3000	EMPLOYEE BENEFITS	8,896.00	2,972.10	.00	5,923.90
4000	BOOKS, SUPPLIES AND REPLACEMNT	2,150.00	1,364.47	207.61	577.92
5000	CONTRACTED SERVICES	6,180.00	4,229.26	355.25	1,595.49
6000	CAPITAL OUTLAY	462.00	443.19	11.23	7.58
	TOTAL PROGRAM	59,238.00 *	36,483.22 *	14,338.09 *	8,416.69 *
714 PERSONNEL COMMISSION					
2000	CLASSIFIED SALARIES	45,238.00	28,917.36	11,326.24	4,994.40
3000	EMPLOYEE BENEFITS	9,952.00	3,083.25	.00	6,868.75
4000	BOOKS, SUPPLIES AND REPLACEMNT	2,510.00	2,171.56	103.47	234.97
5000	CONTRACTED SERVICES	7,750.00	4,970.41	.00	2,779.59
6000	CAPITAL OUTLAY	462.00	443.18	11.24	7.58
	TOTAL PROGRAM	65,912.00 *	39,585.76 *	11,440.95 *	14,885.29 *
715 BUSINESS					
1000	CERTIFICATED SALARIES	208,931.00	134,848.00	67,429.00	6,654.00
2000	CLASSIFIED SALARIES	817,068.00	506,310.72	258,714.44	52,042.84
3000	EMPLOYEE BENEFITS	196,996.95	64,805.23	.00	132,191.72
4000	BOOKS, SUPPLIES AND REPLACEMNT	739,123.85	59,394.77	36,364.35	643,364.73
5000	CONTRACTED SERVICES	177,512.20	81,639.42	1,180.45	94,692.33
6000	CAPITAL OUTLAY	672,325.00	405,999.16	108,174.47	158,151.37
	TOTAL PROGRAM	2,811,957.00 *	1,252,997.30 *	471,862.71 *	1,087,096.99 *

4.2 CASH FLOW

A district must be concerned about when funds are actually received during the year to meet current obligations.

There are two major aspects of the district's fiscal condition that must be managed. The obvious one is in terms of budget, in that the total revenues available during the fiscal year must be sufficient to meet all the district's expenditures. The other aspect that many people overlook is the problem of cash flow where funds must actually be received and in the bank before they can be spent. This is analogous to a personal checking account where checks cannot be written during the month even though it is known that a large deposit will be made at the end of the month. This problem is very critical for school districts in that income from state and local sources is not equally distributed over twelve months.

Local income may vary slightly from county to county, but should be similar to the sample shown. The major local source of income is the secured taxes which are normally received in equal instalments around December and May. Also in the area of secured taxes are delinquent taxes and the homeowners and business inventory exemptions. These latter are actually paid by the state to offset local tax losses due to the granting of the exemptions. These funds are received at different times during the year which tends to equalize the cash flow to some degree. The unsecured taxes are paid once a year in October, and they also have delinquent taxes and business inventory exemptions received at different times during the year.

The state income is spread throughout the year, but it also is not done in nice equal instalments. The state apportionments are calculated by the state based on the ADA reported by the district. The apportionments through January are based on the district final ADA reported at the end of the previous year. The payments from February through May are based on the district's October period one ADA. February is the month that any adjustments from the prior year are credited with any major changes due to ADA in the current year. The final payment in June is based on the district's April second period ADA and is the final payment for the year. Special purpose apportionments for categorical payments are paid from December through June based on actual ADA and class reports from the district.

Cash flow problems can be solved by borrowing funds to meet immediate needs. Some counties allow districts to borrow from county funds, while other districts must acquire their own short-term loans. Cash flow can be a significant problem and should be watched as closely as the normal budget management.

Cash Flow
(Calendar Sample)

Month	Local	State
July	Delinquent secured taxes	Principal apportionment (6%)
August	Delinquent unsecured taxes	Principal apportionment (12%)
September	Unsecured business inventory (100%)	Principal apportionment (10%)
October	Current year unsecured taxes	Principal apportionment (8%)
November		Principal apportionment (8%)
December	Current year secured (50%) Homeowners exemption (15%)	Principal apportionment (8%) Special purpose apportionment (40%)
January	Homeowners exemption (35%) Secured business inventory (50%)	Special purpose apportionment (10%) Principal apportionment (8%)
February		Principal apportionment Special purpose apportionment (10%)
March	Delinquent unsecured taxes	Special purpose apportionment (10%) Principal apportionment
April	Current year secured (20%)	Principal apportionment Special purpose apportionment (10%)
May	Current year secured (30%) Homeowners exemption (35%) Secured business inventory (50%)	Special purpose apportionment (10%) Principal apportionment
June	Homeowners exemption (15%)	Final apportionments

4.3 DISTRICT BANKRUPTCY

A district cannot legally expend more than its available resources during any fiscal year, which means a district is not allowed to go bankrupt.

More and more districts are running into fiscal crises as revenues are being extremely restricted and costs are escalating at an ever increasing rate. A fiscal problem can become a major crisis when a district with a tight budget experiences some unforeseen conditions. These conditions can range from natural disasters calling for major emergency repairs to poor fiscal management and control by the district administration to late payments by special program funding agencies.

The first of the fiscal crises is the cash flow problem discussed in the previous section. This becomes critical when the district nears the end of the fiscal year and does not have enough cash on hand to meet its end of year obligations, which in most cases, includes the final payroll. There are a number of reasonable alternatives to solve this type of problem. One is to put off payments until the cash is actually received and at times concentrated effort with funding agencies can speed payments to meet fiscal deadlines. Cash can also be borrowed from several sources including the districts own restricted funds or the County Superintendent and in some counties, from the County Treasurer.

A more difficult crisis occurs when the district not only does not have enough cash to finish the fiscal year, but does not anticipate receiving enough to cover its fiscal year obligations. The alternatives in this case become more drastic starting with reducing current expenditures in every way possible. Efforts should also be made to insure that all possible district receivables are identified and accurately estimated because a cry of bankruptcy can result in a loss of credibility when the district actually ends the year with a sizeable ending balance. If a district cannot meet its obligations, it may petition the County Superintendent for a special apportionment which is technically not a loan, as it doesn't result in a current liability, but it must still be repaid in the following year. The last resort is through the Legislature by a process established in the Education Code. This again allows for a special apportionment which must be repaid in three years, but also requires a special financial and management audit and the development of a plan to improve the district fiscal management. This is an extremely difficult and time consuming process, but in some cases may be the only possible alternative.

District Bankruptcy

SHORTAGE OF CASH

Reduce district expenditures
Concerted effort to receive funds due the district
Hold liabilities for payment when funds are received
Borrow against anticipated district revenues
Borrow from restricted district funds
Borrow from County School Service Fund

INSUFFICIENT REVENUE TO MEET YEAR END OBLIGATIONS

Reduce district expenditures
Reassess possible district revenues
Re-examine district obligations
Request a special apportionment from County School Service Fund
Request a special apportionment from the Legislature

CHAPTER V

5.0 GLOSSARY OF TERMS

Educational finance is not a difficult field when dealt with in concepts and general terms. The one aspect that can make it appear complex is the specialized terms that are used; because like most professional fields, there is a unique vocabulary. This chapter consists of a glossary of terms most commonly used in school district budgeting and financial management. This is not intended to be a complete listing, but does include the terms most frequently used and will cover most of the special terms used in this document.

5.1 GLOSSARY OF TERMS

A glossary of terms commonly used in school district budgeting and financing is shown. Terms are shown alphabetically except where they are most often related by definition and in these cases have been grouped together.

Accounts Payable	Amounts due and owing to persons, business firms, governmental units, or others for goods and services purchased but unpaid prior to the end of the fiscal year.
Accounts Receivable	Amounts due and owing from persons, business firms, governmental units, or others for goods and services sold but uncollected prior to the fiscal year.
Average Daily Attendance (A.D.A.)	One A.D.A. is generated by the attendance of one student for a minimum of 240 minutes per day for 175 days in a school year.
Ad Valorem Property Tax	A tax on property expressed as a percent rate per $100 of assessed valuation.
Apportionment, State	Dividing and assigning state allocated money to the various school districts. This is only done by the State Department of Education according to formulas approved by the Legislature.
Appropriation	An allocation of funds, income, or estimated income made by the governing board for specific purposes. (Usually an appropriation is limited as to the time when it may be spent.)
Assessed Valuation (A.V.)	A valuation set by a governmental unit upon real and personal property as a basis for levying taxes.
Assessed Valuation per Average Daily Attendance (A.V. per A.D.A.)	The amount of assessed valuation (A.V.) per child determined by dividing the total average daily attendance (A.D.A.)
Balance Sheet	A statement that shows assets, liabilities, reserves, and fund balance or fund deficit of the school district as of a specific date. It exhibits the financial condition of the district.

Basic Aid	The minimum guranteed amount that any district receives annually for state support, currently in the amount of $125 per A.D.A.
Bonds, School	Bonds are certificates of indebtedness limited to twenty-five years or less in California. Bonds are to a school as a mortgage is to a home.
Bonded Debt Limit	The maximum amount of bonded debt for which a school district may legally obligate itself. The total amount of bonds issued cannot exceed a stipulated percent of the assessed valuation of the district.
Budget Document	A written statement translating the educational plan or programs into costs, usually for one future fiscal year, and estimating income by sources to meet these costs.
Capital Outlay	Capital outlay expenditures are those which result in the acquisition of or addition to fixed assets. They are expenditures for land or existing buildings, improvements of sites, construction of buildings, additions to buildings, remodeling of buildings, or initial or additional equipment. Construction related salaries and expenses are included.
Collier Factor	A formula to bring either low or high county assessments of real property to the State average of assessed real property.
Computational Tax Rate	The minimum tax rate a school district must levy which provides the district's share to the state's guaranteed foundation program. SB-90 establishes these rates as $2.23 elementary, $1.64 high school, and $3.87 unified.
Costs, Direct	Expenses that are identified with a given service or operating unit.
Costs, Indirect	Costs that are necessary to the operation of the school district, but that do not relate directly to the operation of a specific service or operating unit.
Current Assets	Assets that are available to meet the cost of operations or to pay current liabilities.

Current Expense of Education	All expenditures of a school district except for food services, community services, sites, buildings and debt service.
Current Liabilities	Amounts due and payable for goods and services received prior to the end of the fiscal year.
District Support or Aid	The financial assistance for schools received from local property taxes.
Double Entry	A system of bookkeeping that requires an amount credited for every corresponding amount debited.
Encumbrances	Obligations in the form of purchase orders, contracts, salaries, and other commitments.
Fiscal Year	Twelve calendar months; in California it is the period beginning July 1 and ending June 30.
Fixed Assets	Property of a permanent nature having continuing value, e.g., land, buildings, and equipment.
General Ledger	A basic group of accounts in which are recorded all transactions of a fund.
General Purpose Tax Rate	The district's tax rate determined by statutory revenue limit for general purpose use, the district A.D.A., and the level of the assessed valuation of the district.
General Reserve	A budget item which sets aside a reserve fund to start the following fiscal year and cannot be used during the budget.
Undistributed Reserve (Appropriation for Contingency)	An amount placed in the budget which is unallocated and against which interbudgetary transfers may be made to take care of expenditures that develop in the budget for which previous funds have not been budgeted.
Goal	A statement of broad direction, general purpose, or intent. A goal is general and timeless and is not concerned with a particular achievement within a specified time period.
Impact Funds	Funds received by school districts due to increased enrollment caused by Federal or State activities on property that is not taxable. Examples would be federally funded state water projects, or Public Law 874 (army bases, defense plants, etc.).

Income	Includes both revenue and non-revenue receipts. Revenue receipts are derived from taxation. Non-revenue receipts come from the sale or rent of school district property.
Multi-year Financial Plan (M.Y.F.P.)	A multi-year financial plan discloses trends by presenting comparisons of prior years costs to projected estimated future years costs. Estimates should reflect the future financial impact of current decisions.
Objective	The desired outcome toward which program activities are directed within a given time frame and under specific conditions. The attainment of an objective contributes to the accomplishment of overall district goals.
Objects of Expenditure	Objects of expenditure are articles purchased or services obtained by a school district.
Permissive Override Tax	A tax, levied at the discretion of the board of trustees for a limited number of specific purposes authorized in the Education Code. Two examples are a tax levied for community services, and meals for needy children.
Program Budgeting	A grouping of proposed expenditures and anticipated income according to the program they are intended to support. The program budget lists and summarizes what is needed to accomplish program objectives.
Reserve	An amount set aside to provide for estimated future expenditures or losses, for working capital, or for specific purposes.
Revenue Limit (District)	The maximum amount of dollars that a district receives annually for general education purposes from both state and local taxes exclusive of a limited number of special categories.
Restricted Funds	Those monies received by the district through permissive overrides for specific purposes such as meals for needy pupils and community services. These restricted funds monies, which are unspent, may be carried over to the next fiscal year. The use of the carry-over monies is limited by law to the specified purpose(s) for which the monies were originally collected.

Designated Funds	Those monies received from Federal, State, or local sources and designated for special program usage such as early childhood education, Title I, and pilot programs. The carry over to the next fiscal year of designated funds is regulated by the specific program and/or title guidelines.
Secured Tax Rolls	A list of the stationary real property within a county, e.g., land, buildings. (Accounts for approximately 90% of all property.)
State School Fund	Amount apportioned from the State General Fund by the Legislature for school purposes.
Stores	Goods on hand in storerooms subject to requisition that are constantly being consumed and replaced without increasing the value of the physical property of the school district, e.g., paper.
Unsecured Tax Rolls	A list of the moveable, personal real property within a county, e.g., mobile homes, boats, furniture. (Accounts for approximately 10% of all real property.)
Voucher	Any document that supports or verifies a certain transaction.
Purchase Order	A document approved by the board and issued to a vendor that authorizes the delivery of specific merchandise or the performance of certain services and the making of a charge for them.
Warrant	A written order approved by the board drawn to pay a specified amount to a designated payee.

Additional copies of this document can be ordered through CSBA at $3.00 each. Orders should be sent to:

CSBA
800 - 9th Street, Suite 201
Sacramento, California 95814